

HOUSE ENERGY AND COMMERCE COMMITTEE  
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TESTIMONY OF  
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INC.  
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Chairman Upton, Ranking Member Markey, and members of the subcommittee, it is an honor and privilege to appear before you today to discuss Siemens' view of convergence and the emerging IP-based world. My name is Andy Mattes and I am the President and CEO of Siemens Communications USA. Mr. Chairman, with your permission, I will submit my entire written statement for the record and will summarize briefly.

As you may know, Siemens is one of the largest electronic and electrical engineering companies in the world. Our largest market is the United States where we employ over 70,000 people with employment in every state. Globally we employ over 430,000 people and operate in 190 countries. We are a market leader in energy and power generation, industry and automation, information and communications, healthcare, transportation and lighting. The largest segment is our portfolio focused on IP communications devices, applications, and infrastructure for the individual, for the enterprise, and service providers including wireless, wireline and cable.

Convergence is taking place at many levels: We're seeing convergence of the television and the personal computer, of wireless and wireline networks and devices,

and of voice, data, and video. IP-based broadband network infrastructures will change the way we communicate, work and play. Technological advancements are also rapidly changing the way industry is structured to meet consumer needs. The use of IP-based services is spreading dramatically and this is the reason why communications platforms are converging.

Since passage of the Telecommunications Act of 1996, fixed-line long distance no longer is the sole player in that market. Wireless carriers are long distance providers, local providers and Internet access providers. Your current cable company is not your old cable company. They are now providing voice, data and Internet access. Existing rules designed to spur wireline vs. wireline competition may no longer be relevant. Real competition is facilities-based, which is now occurring across industries.

True packet-based convergence is crucial to allowing multimedia applications and services to seamlessly coexist on a streamlined asset base. These new pathways will enable the dramatic improvement in asset utilization rates for enhanced capital and operational efficiency, along with the improved price-performance characteristics required to restore a sound economic foundation to spur the industry's continued innovation and growth.

In addition to broadband access and transport infrastructures, IP-based applications and related servers, media gateways, soft-switching platforms and related management systems must be allowed to be packaged as key building blocks for the future.

The end-game is seamless unification of communications domains with end-user applications. It is only in a truly IP-converged, broadband environment with standards-based platforms and end-user empowerment that such seamless unification becomes possible. This would represent a world where there are no longer artificial boundaries between fixed-line networks, mobile networks, and cable networks. There would no longer be multiple e-mail boxes and voicemail boxes. Users will not be forced to learn how to use different interfaces to access their information and communicate.

Users want simpler communication tools and more efficient communications. We currently have more choices than ever before, but these very choices have made our communication more convoluted and redundant. Trying to manage all of today's communications devices, applications and networks is like trying to run an airport without air traffic control -- there is no synchronization or communication.

Through our close work with carriers, service providers, businesses and end-users, we believe we know which communication issues are top priority. Businesses tell us that employees need communication tools to make them more effective, more productive and more responsive to customer needs. Carriers and service providers tell us they need to offer new services and create new business models. And end users are telling us they want to bring all of these devices and networks and applications together to achieve a better work-life balance. At Siemens, we call all of this LifeWorks because we believe that IP convergence can make life work better.

Perhaps the biggest and most exciting development is the advent of the wireless world. Today, we're like a tether ball tied to our desk. Our communications world is

based around the idea of a wired world where wireless augments our communications. The communications world of tomorrow will be built around the idea of a wireless voice, data and entertainment infrastructure augmented by a wired network. That represents a complete reversal of today's paradigm.

As we look across markets, we see the impact - - and potential - - of IP everywhere. Converged IP-based broadband networks will dramatically address many of the nation's challenges, from reducing health care costs and improving delivery, protecting national security and providing a more satisfying quality of life.

**Hospitals** using innovative and secure communications technology can operate with less cost, because they have fewer medication errors, fewer mistakes, earlier detection rates and better overall clinical outcomes. We know because Siemens builds and provides the communications infrastructure for "digital" hospitals across the country.

**Building and information security** is enhanced by convergence solutions that marry physical access with network security and identity management. At Delaware State University, for example, students use Siemens smart cards to enter their dorm rooms, access the campus computer network, buy text books, and pay for meals in the cafeteria.

**Emergency responders** will benefit by instant conferencing and presence awareness – something like the buddy list for the telephone so that you know who is available even before you dial.

And **consumers** will benefit because of things like dual-mode devices – a handset that will work over a WiFi network at home and over the public wireless network

outside of the home. They'll be able to receive one bill for payment convenience. And they'll finally be able to end the communications chaos caused by so many devices, applications and networks.

Siemens applauds the subcommittee for recognizing these significant changes and for moving forward in creating a public policy framework that embraces the new converged IP-based world. In considering changes to the Act, we recommend that Congress adopt policies that follow these guiding principles.

First, the overriding goal of any policy should be to promote the accelerated design, development, deployment and adoption of converged, packet-based broadband infrastructures, applications and services. The FCC's recent order exempting new fiber-based broadband networks from regulation is a good model to follow.

Second, in our view, Voice over Internet Protocol is not a service, but a technology that enables multiple new services. Therefore, we recommend that this technology be exempt from traditional telecommunications regulation. We applaud Congressmen Pickering, Stearns and Boucher for their efforts to accelerate the debate on how to approach these new technologies and applications and balance existing social needs with tomorrow's technologies.

Third, new rules should be applied evenly across network platforms. Providers who are similarly situated should face the same rules when providing the same services. With this in mind, Congress should regulate down.

Fourth, when reforming universal service, Siemens recommends that Congress take the opportunity to bring the universal service program into the IP future as well.

We understand the funding challenges. However, Siemens recommends searching for innovative ways to create incentives for providers, schools, libraries, and rural health providers to invest in next-generation infrastructure. In this way, they, just like the rest of us, will be able to take advantage of cost savings and new applications driven by IP-based convergence.

And it is absolutely necessary that the United States match the pace with other developed countries in terms of broadband penetration. I am surprised that the most innovative country in the world ranks 13<sup>th</sup> in terms of per capita broadband penetration with only about 32 million broadband subscribers. All Americans must benefit from the rich media experiences now offered by the Internet.

And finally, as Congress considers new policies and rules it should look to what has happened under the federal wireless regulatory model. Consumers are the winners in this market, through significant price reductions and the explosion of new services and technologies. The hands-off approach has paved the way for this consumer-focused and fast-growth environment.

Thank you again for giving Siemens the exciting opportunity to testify before this panel. We look forward to working with you to help shape policies that will help drive the deployment of next-generation networks for all Americans.